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**“You can lead a man to Congress,
but you can’t make him think.”**

Milton Berle

- **SECURE Act 2.0**
- **Political/Legislative Landscape**
- **2022 Mid-Term election snapshot**

- **Changes for individual savers**

- **RMD age increased to age 75** (73 thru 2029, 74 thru 2032, 75 after 2032)
- **ROTH provisions for SIMPLE and SEP IRAs**
- **Qualified Charitable Deduction**
 - One time, \$50,000 maximum payment to a split-interest entity
 - Recipients include charitable gift annuities, CRUTs or CRTs
 - Indexes the \$100,000 limit
- **Bolster make-up provisions- Ages 62, 63, 64**
 - \$5,000 for SIMPLE plans, all other plans-\$10,000

Allow variable annuities to invest in ETFs

Retirement plan changes

- Expands auto-enrollment AND auto-escalation to all new plans
- Eligible part-time definition changed to 500hrs/year for 2 years vs. 3
- Increases tax credit for start up plans
- Ease the rules for using QLACs (longevity insurance)
- New lost and found entity to keep track of previous employer plans
- 403(b) plans can join open Multi-Employer Plans (MEPs)
- Employers can make matching contribution based on student loan payments

Revenue offsets to pay for these changes?

- Catch up provisions in plans must be made as ROTH contributions
- Employers can match ROTH contributions in ROTH account

- SECURE Act 2.0
- **Political/Legislative Landscape**
- 2022 Mid-Term election snapshot

Legislation (Authorization) vs. Executive Action (Implementation)

- **Under President Biden's Authority...**

- Rejoin Paris Climate Accord, WHO, JCPOA (Iran nuclear deal)
- Extend eviction ban
- Extend student loan payment deferral
- Dreamer protections
- Re-open ACA enrollment
- Repeal ban on travel from Muslim countries
- Reinstate CAFÉ standards
- Remove work requirements for Medicaid
- Reverse roll-back of environmental rules
- New order that no member of executive branch may influence a DOJ investigation

- **Trade**

- Reengage traditional allies (Canada, Japan, EU, South Korea), remove tariffs
- Renegotiate our entry into Trans-Pacific Partnership (TPP)
- Hold Russia accountable for election interference, hacks, and targeting US soldiers
- Reassess our positioning with China

Under President Biden's Authority...

Financial

- Expand Volker rule
- Increase stress test requirements
- Expand overtime eligibility
- **DOL-** Trump rule in effect/Biden issued instructions to review
 - Marty Walsh, Labor Secretary nominee is pro-labor & leans liberal, a friendly ear
 - Might review definition of "Fiduciary" and types of "Advice" within the rule
 - Lengthy process- no quick action expected
- **Reg BI**
 - Rep Waters supports advisors being held to a fiduciary standard and Reg BI is not strong enough
 - Secretary Gensler is focused on investor protections



Ted Cruz ✓
@tedcruz



First time I've ever retweeted [@ewarren](#) But she's right —Big Tech has way too much power to silence Free Speech. They shouldn't be censoring Warren, or anybody else. A serious threat to our democracy.

Elizabeth Warren ✓ @ewarren

Curious why I think FB has too much power? Let's start with their ability to shut down a debate over whether FB has too much power. Thanks for restoring my posts. But I want a social media marketplace that isn't dominated by a single censor. #BreakUpBigTech [twitter.com/viaCristiano/s...](#)

♡ 12K 1:40 PM - Mar 12, 2019



💬 4,283 people are talking about this



- **Bipartisan, Bicameral, Fed Agency and State** Investigating large tech
 - Data privacy
 - Anti-competitive behavior/Anti-Trust- 50 state consortium investigating options
 - Failure to address spread of misinformation
 - Regulation of content (Section 230)
- **Rebecca Kelly Slaughter, FTC Chair-** additional scrutiny on the sector
- **2021 House Bill**
 - Eliminate conflict of interest and prioritization of co-owned services
 - Prohibit large tech from purchasing rising competitors
 - Break down walls making it easier to use non-proprietary services

- **Section 230**

- **Protects platforms from liability from...**

- Content users post

- Platform's decision to take down or leave content available

- **Viewed as foundational law of the web as digital free expression**

- **Repeal would hold platforms liable for content**

- Some Dems believe platforms allowed to spread hate speech & falsehoods with impunity

- Some GOPs believe platforms are ideologically biased against conservative speech

- **Consensus building**
- **Reengagement vs. confrontation**
- **Favoring regional trade deals vs. bi-lateral**
- **Not as apt to use tariffs**
- **Reinstate Trade deals with allies (EU, TPP etc)**

- **Iran**

- Talks to restart JCPOA starts and stops
- Slow process as Iran pushing beyond the limits in the agreement

- **North Korea**

- No Substantive discussion anytime soon

- **Russia**

- Election interference
- Bounties on US soldiers in Afghanistan
- Cyberattack on US Agencies and ransomware
- Poisoning of opposition leader Alexei Navalny
- Invasion of Ukraine

Assessing Putin

- **Autocracies always lead to more and more isolationism & populous control**
- **Fear: loss of power and popular “support” (loss of control)**
 - Ukrainians and Russians are friendly and freely interact
 - Thriving, free democracy informing Russians about what they don't have
 - **He is afraid of winning the battle, but losing the war**

Ukrainian Economy

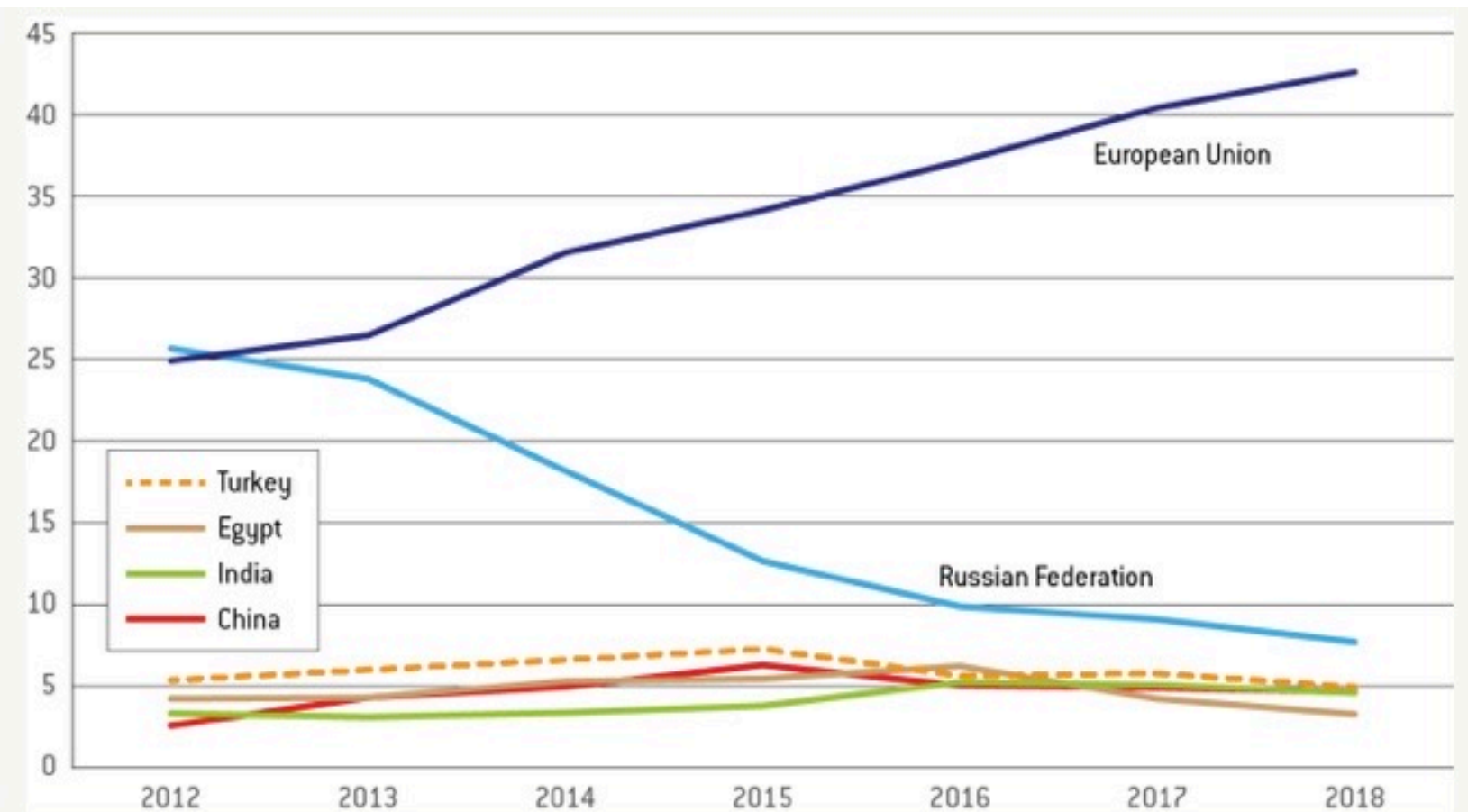
- Minerals- lithium, copper, nickel, uranium, titanium and more
- Agriculture- 50% of EU's corn, 25% of cereal and vegetable oil
- Energy- Europe's largest nuclear power plant

Ukraine Economy

2019- China became Ukraine's largest trading relationship

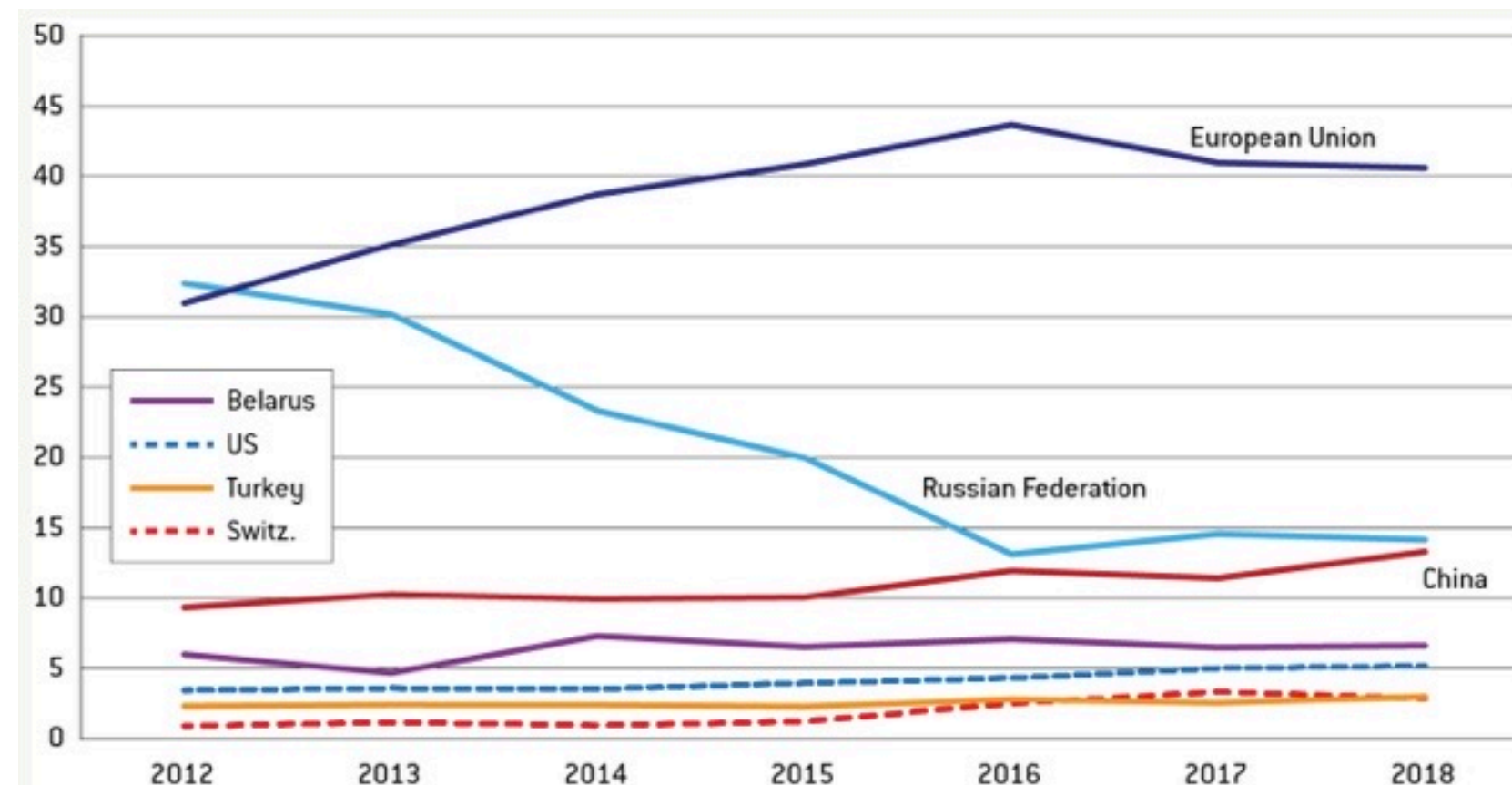
- growing 80% YOY

Exports



Source: World Bank World Integrated Trade Solution (WITS).

Imports



Source: World Bank World Integrated Trade Solution (WITS).

Sanctions/Actions

- Banks blocked from transactions within the world's financial systems
- Russian banks cannot transact in US Dollars
- Capital is cut off- No loans, issuance of sovereign debt, risks capital flight
- Oligarch's offshore assets frozen and travel abroad restricted
- Technology transfer restrictions
- Cut off from SWIFT- except oil & gas and some banks
- Banning US/EU residents from trading with Russian Central Bank
 - **Blocking access to Putin's \$600B rainy day fund**
- Cancellation of sporting events and banning Russian athletes
- Expulsion of 12 Russian "diplomats" for spying
- EU, Canada and US airspace restrictions of Russian flights
- US blocks Russian oil imports, EU moving away from Russian oil

Results

- The Russian economy is increasingly challenged
- Corporate citizens questioning their ongoing interests in Russia
 - Further adding drag to the Russian economy
- **Germany agrees to increase defense spending**
- **Germany shipping lethal weapons to Ukraine**
- **Switzerland moving off their neutral political positions**
- **Sweden & Finland's NATO applications are expected in June**
- **Watch Chinese actions & how they balance ideology and economy**

Expectations for US consumers

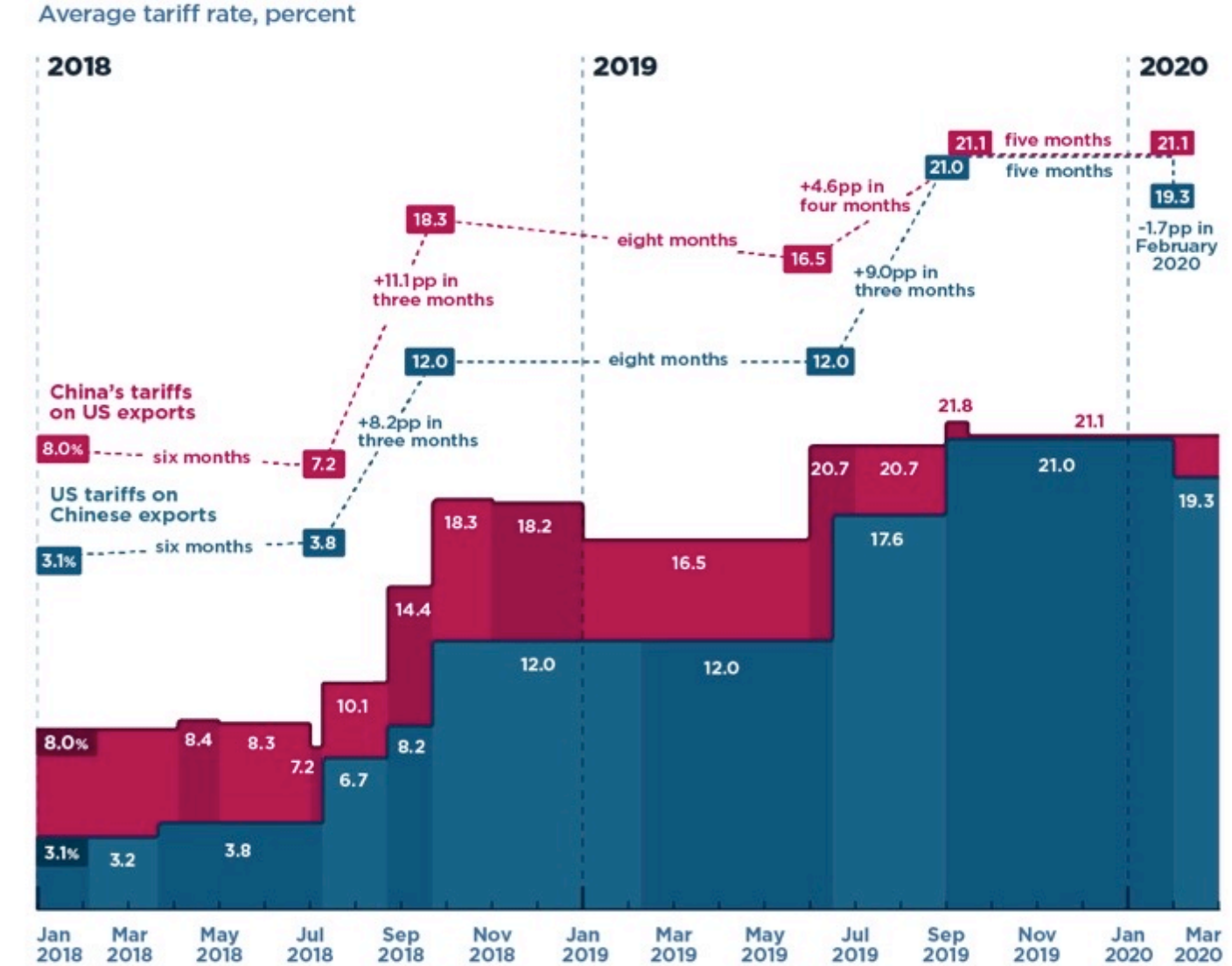
- Higher energy prices (oil and natural gas)
- Higher transportation costs (increased supply chain issues, travel costs)
- Higher commodity prices-Supply chain issues (Al, Ni, Pt, Pd, Ti, Au)
- Higher food prices (wheat, corn)
- Cyberattacks (Critical infrastructure- energy, financial, etc.)

Effects

- Higher inflation
- Market uncertainty
- Fed actions conundrum
 - Increase rates to tame inflation
 - Keep rates low to spur slowing recovery
- Although unlikely, some suggest this is the new Cold War
- More likely, rewriting the world's operating manual

Trade- US/China Phase 1- Détente

- **US agrees**
 - Back off existing tariffs
 - Not impose consumer product tariffs
- **China Agrees to buy \$200B US Exports**
 - Loosening foreign ownership
 - Modest Intellectual property protection
 - End forced technology transfer



Peterson Institute for International Economics, December 19, 2019

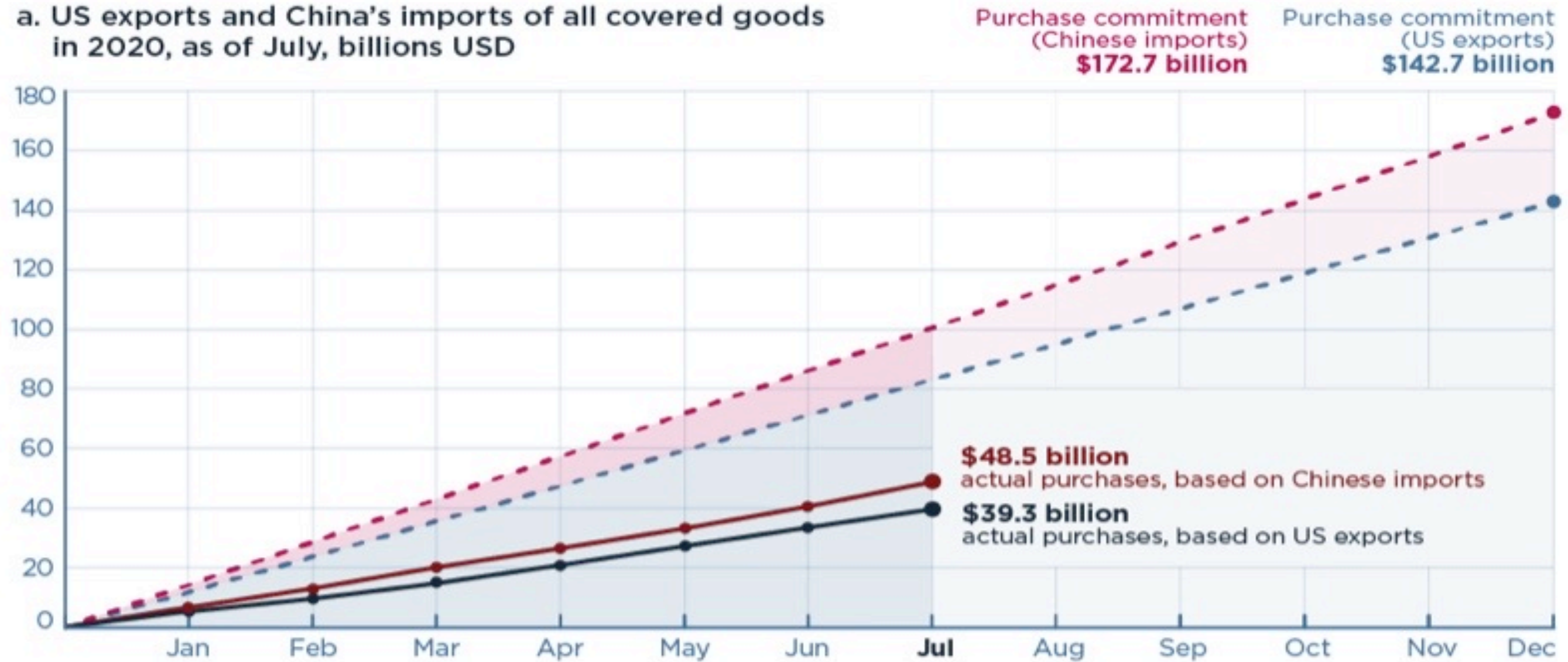
Penalty for non-compliance- snap back of all tariffs

Trade- US/China Phase 1- Détente

US-China phase one tracker: China's purchases of US goods

US exports and China's imports in 2020 of all goods covered by the phase one deal as of July 2020

a. US exports and China's imports of all covered goods in 2020, as of July, billions USD



- **Dialogue shifts from partnership to de-linking, why?**

- Not living up to Phase 1 purchase requirements
- Maintaining Trump tariffs
- Beijing's crackdown on Hong Kong freedoms
- China formally applied for membership in CPTPP (successor to TPP), Sep 2021
- US making gestures to form a new Pacific Rim trade deal w/out China

**“[The Affordable Care Act has]
shrunk to a public entitlement program.”**

Jonathan Gruber PhD, Massachusetts Institute of Technology
Architect of Romneycare and Obamacare
The Hill, January 26, 2018

- **Tax reform effectively eliminated the ACA individual mandate**
- Texas district court held that the basis for Roberts' opinion (based on the mandate being a tax) no longer applies now that the penalty is "gone"
 - **Therefore, the entire Affordable Care Act is unconstitutional**
 - The mandate cannot be severed from the law
- Supreme Court found there was no standing due to the penalty being \$0
 - **Could be challenged on this issue again if penalty is increased from \$0**

Forcing Events

- **August congressional recess**
- **FY22 ends & reconciliation window expires on September 30th**
- **Mid-Term elections- November**
- **Lame-duck period**
- **Crowded Senate calendar**

- **Senate filibuster**

- Bust or not to bust

“If Republicans don’t want to make adjustments to a tax code – which I think is weighted and unfair – then I’m willing to go reconciliation,”

Senator Manchin June 27, 2021

- **Reconciliation process**

Electoral Count Act Reform

Became law in 1887

Reform attempts to:

- Clarify the vice president's role in counting the Electoral College votes as strictly ministerial
- Mandate a state's electoral votes must match their popular vote
- Provides a governor can only submit one set of electors
- Increase Electoral Vote objection from one Senator and one House member to 1/5 of both chambers

SCOTUS case on Independent Legislator Doctrine (ILD)

- Will decide if ILD overrides parts of the ECA
- No higher authority than the state legislature regarding elections
- Governors and courts (state & federal) cannot review or override state legislature regarding elections
- Constitution only stipulates House & Senate members to be elected by the people, not even POTUS

CHIPS & Science Act

\$280B investment

Support the fabrication of advanced chips in US (\$52B)

25% tax credit for building new manufacturing capabilities

Prohibits funds from being used for:

- Stock buybacks, dividends or capital distributions
- Manufacture advanced chips outside the US

Additional:

- Fund education initiatives to supply a trained workforce, STEM education and R&D (\$102B)
- NASA reauthorization
- 5G rollout
- Supreme Court Justice security

Adds \$79B to budget deficit over 10 years

Legislative landscape

- **\$1.8T strategy**
- **Most significant infrastructure/Climate proposal since New Deal**
- **Two (2) separate legislative efforts**
 - **Infrastructure Investment & Jobs Act (IIJA), formerly know as BIF- \$550B**
 - **Inflation Reduction Act 2022**

- **All agree on the need for an infrastructure investment**
 - **Current infrastructure grade- C-**
 - **What does \$550,000,000,000 over 5 years fund? (\$1T total)**
 - \$110B Roads & bridges
 - \$66B Rail (freight and passenger)
 - \$55B Clean water
 - \$42B Airports and ports
 - \$21B Water clean up
 - \$11B Highway and pedestrian safety
 - \$73B Updating power grid
 - \$65B Broadband access
 - \$46B Infrastructure resilience
 - \$39 Public transit
 - \$17B Waterways
 - \$7.5B EV charging stations

- **All agree on the need for an infrastructure investment**
 - **Current infrastructure grade- C-**
 - **How to pay for it?**
 - \$250B Unspent pandemic relief money
 - **\$50B Unemployment fraud collection**
 - **\$50B Medicare Part D rebate**
 - \$100B Misc. (pension smoothing, selling petroleum reserves, delay mandatory sequester etc.)
 - **\$28B Crypto transaction reporting**
 - **\$20B Spectrum auctions**
 - **\$56B Economic growth**
 - **\$256B (\$351B Penn Wharton) short of fully funded...Will it have the votes to pass?**
 - **Above average grade requires \$2T**
 - **World-Class infrastructure requires more than \$4T**

“For months, I’ve been ringing the alarm bell about inflation.”

**“My main thing is inflation,
fighting inflation with tax reforms.”**

Senator Joe Manchin, D-WV
February 2022
May 2022

Inflation Reduction Act

Minimum 15% book profit tax on corporations exceeding \$1B in profits

- Capital-intensive businesses w/low tax rates & high book profits, minus accelerated depreciation
- Undercuts the value of broadly agreed upon tax breaks (pension, R&D)
- Various methods of calculating book income (more subjective)
- Incentivizes corporations to alter financial documents & risk politicizing FASB rules

Allow Medicare to negotiate pricing nationally on a small set of drugs

- Capping drug cost increases at CPI-U
- \$2000 out-of-pocket cap on prescription drugs & \$35 cap on insulin for Medicare beneficiaries

1% tax on stock buybacks

2-year extension on limitation of excess business losses

IRS enforcement- Closing the tax gap

Inflation Reduction Act of 2022

Climate change mitigation (\$369B)

- Large investment in renewables
- Lowering carbon emissions by an expected 40% by 2030
- Tax incentives for persons and corporations to invest in renewables and to reduce methane
- Support for fossil fuels, primarily natural gas, and offshore oil & gas development

Drought resiliency (\$4B)

Deficit reduction (\$300B)- US is projected to add \$16T in debt over the decade

IRS Funding (\$80B)

Extend ACA Premium subsidies for 3yrs (2025)(\$64B)

Expiration of the TCJA (Tax Cuts and Jobs Act) YE2025

- Marginal rates return to prior levels (39.6%)
- Increased standard deduction expires
- Estate tax exemption reverts to \$6M (inflation adjusted)
- AMT returns
- 199A 20% deduction expires
- Pease limits will reduce deductible expenses at certain income tax thresholds
- Uncapped SALT deduction reinstated
- Corporate rates **do NOT expire** (Reconciliation 15% minimum tax)
- TCJA did not change capital gains rate (20%)

Tax reality

Individual Income Tax Rates

Tax Rate	Single	Married, Filing Jointly
10%	\$0 - \$10,725*	\$0 - \$20,275
10%	No Change	No Change
12%	\$10,726 - \$41,775	\$20,276 - \$83,550
15%	No Change	No Change
22%	\$41,776 - \$89,075	\$83,551 - \$178,150
25%	\$41,776 - \$101,175**	\$83,551 - \$168,625
24%	\$89,076 - \$170,050	\$178,151 - \$340,100
28%	\$101,176 - \$211,050	\$168,626 - \$256,950
32%	\$170,051 - \$215,950	\$340,101 - \$431,900
33%	\$211,051 - \$458,850	\$256,951 - \$458,850
35%	\$215,951 - \$539,900	\$431,901 - \$647,850
35%	\$458,851 - \$460,750	\$458,851 - \$518,350
37%	Over \$539,900	Over \$647,850
39.6%	Over \$460,750	Over \$518,350

*Indexed for inflation

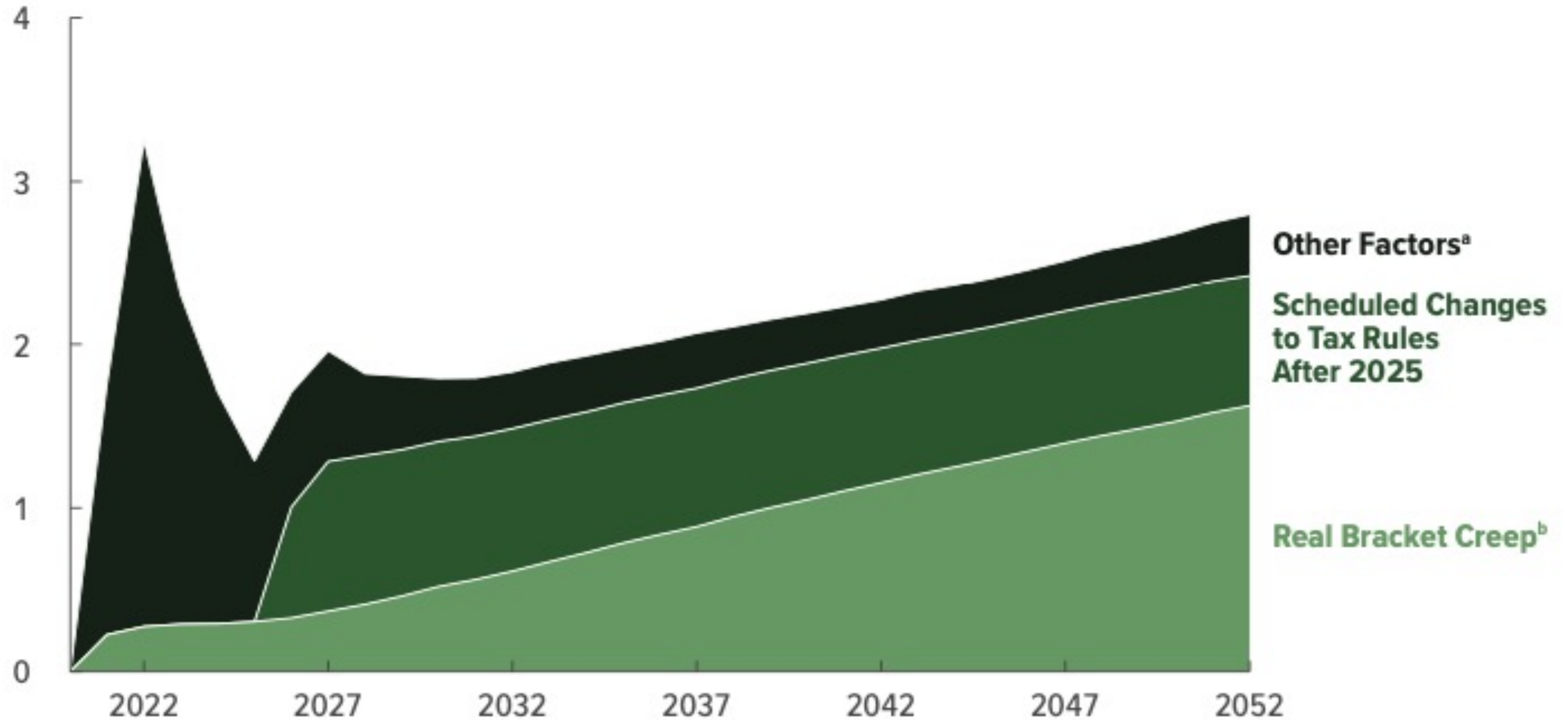
**Estimated, indexed for inflation

Tax reality

Joint Income	Gross tax-current brackets before deductions & credits	Gross tax-post TCJA expiration before deductions & credits	Percentage increase
\$200,000	\$35,679	\$41,572	16%
\$400,000	\$88,468	\$104,724	18%
\$600,000	\$157,501	\$177,303	12%
\$1,000,000	\$304,553	\$335,704	10%

Bracket Creep

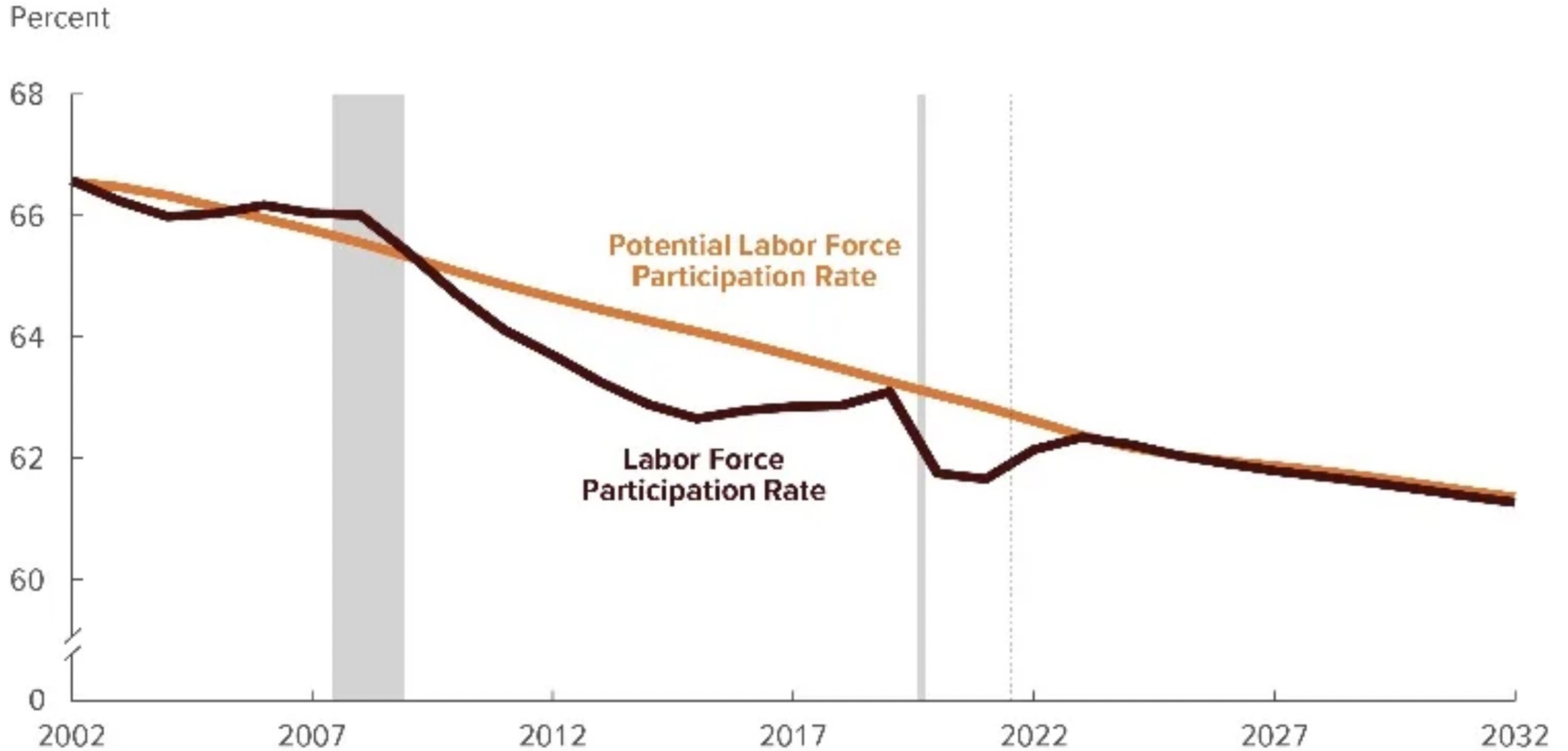
Percentage of GDP



Expiration of the TCJA at the end of 2025, Prognosis

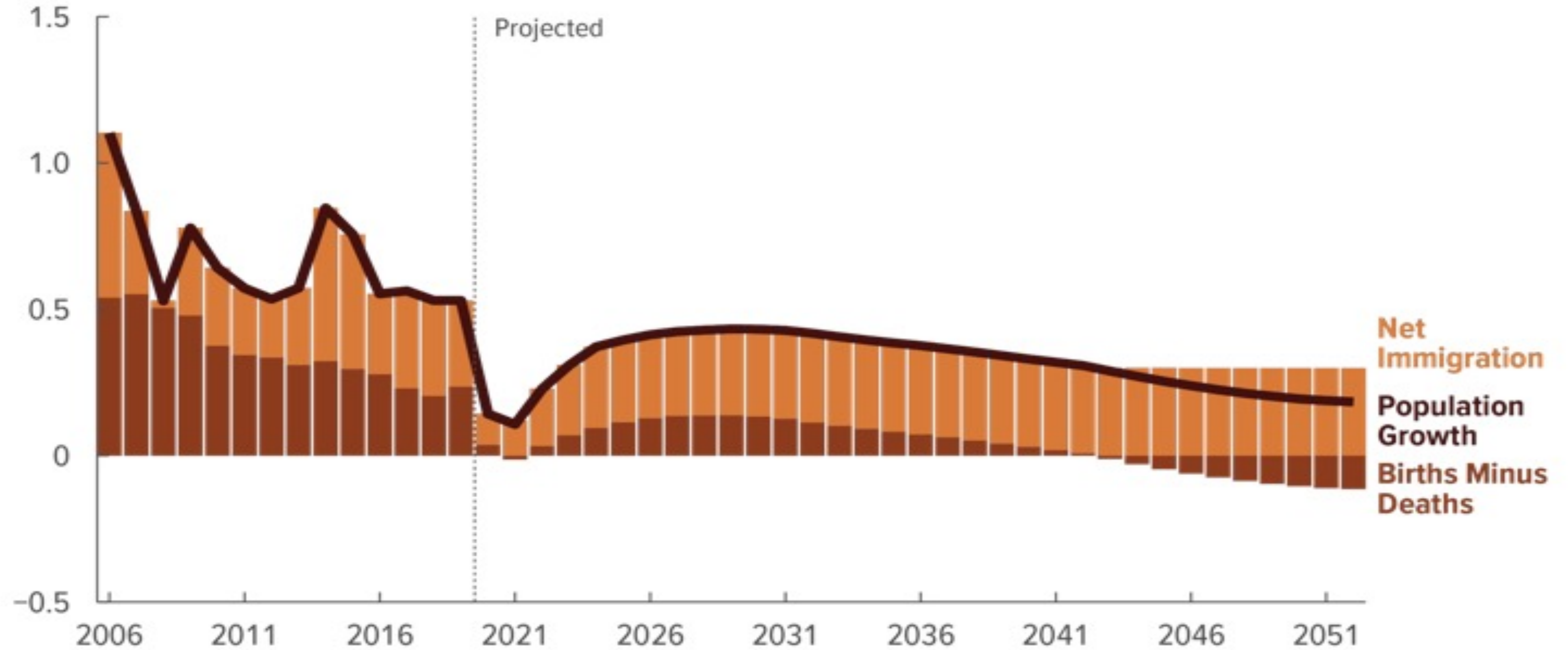
- **If GOP wins control in 2024**
 - Likely will try to extend TCJA for an additional 8 years
- **If Dems win control in 2024**
 - Selective in what provisions they let expire and extend
- **If split control post 2024**
 - Some elements of both, likely depending on Dem changes made in 2022

Labor Participation Rate



Spending

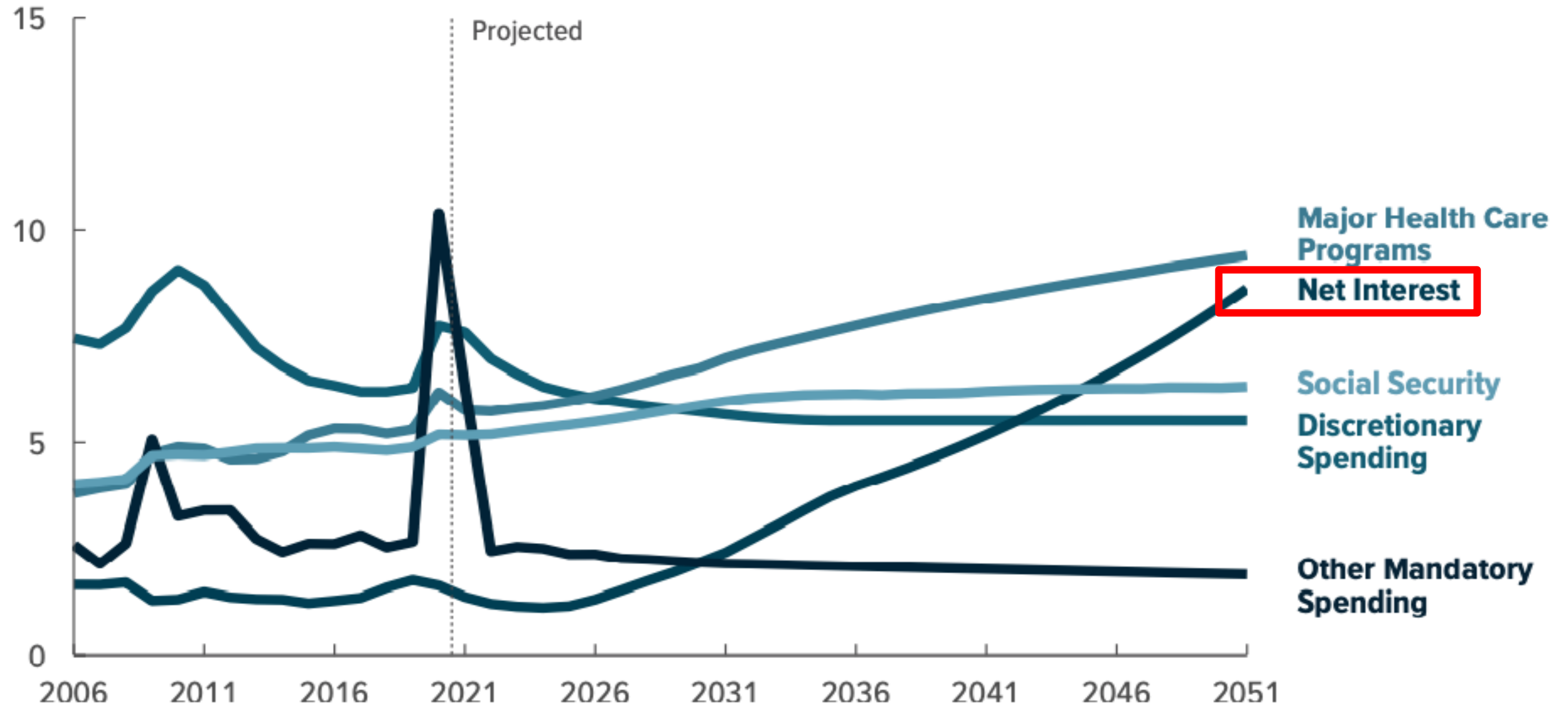
Percent



Spending

***Based on \$3.7T of relief**

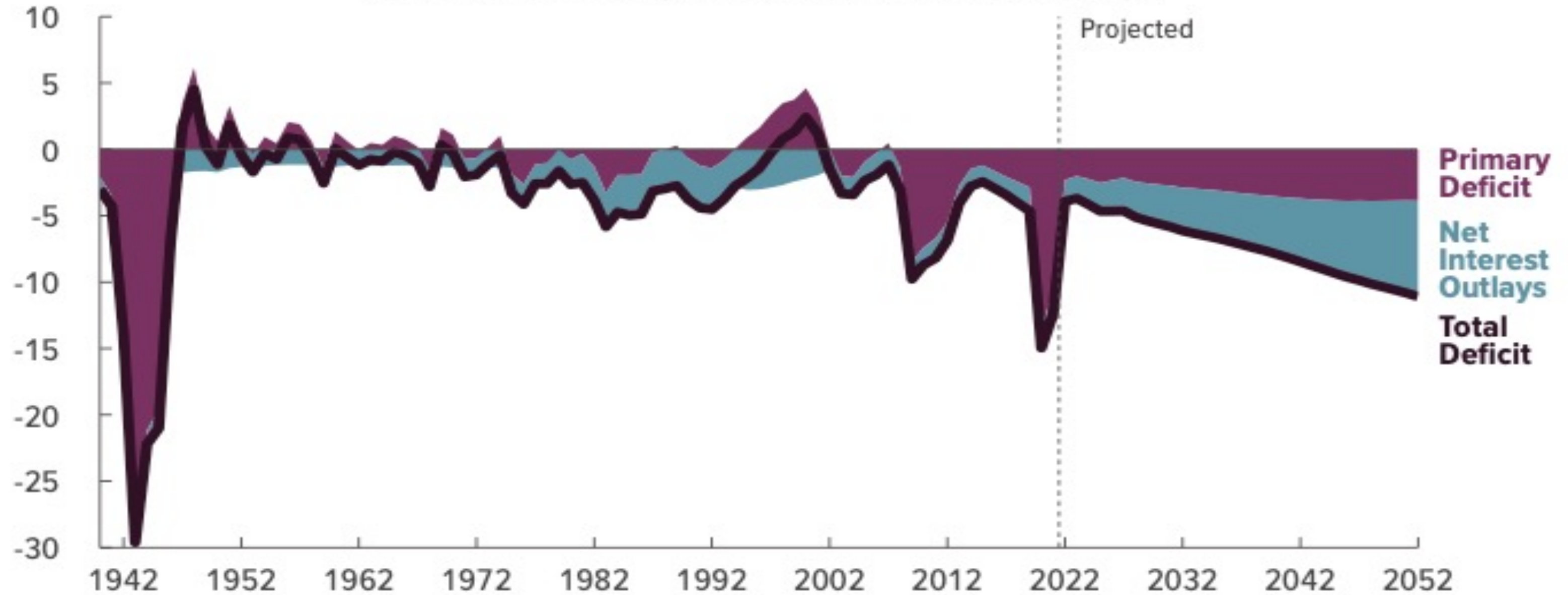
Percentage of Gross Domestic Product



Spending

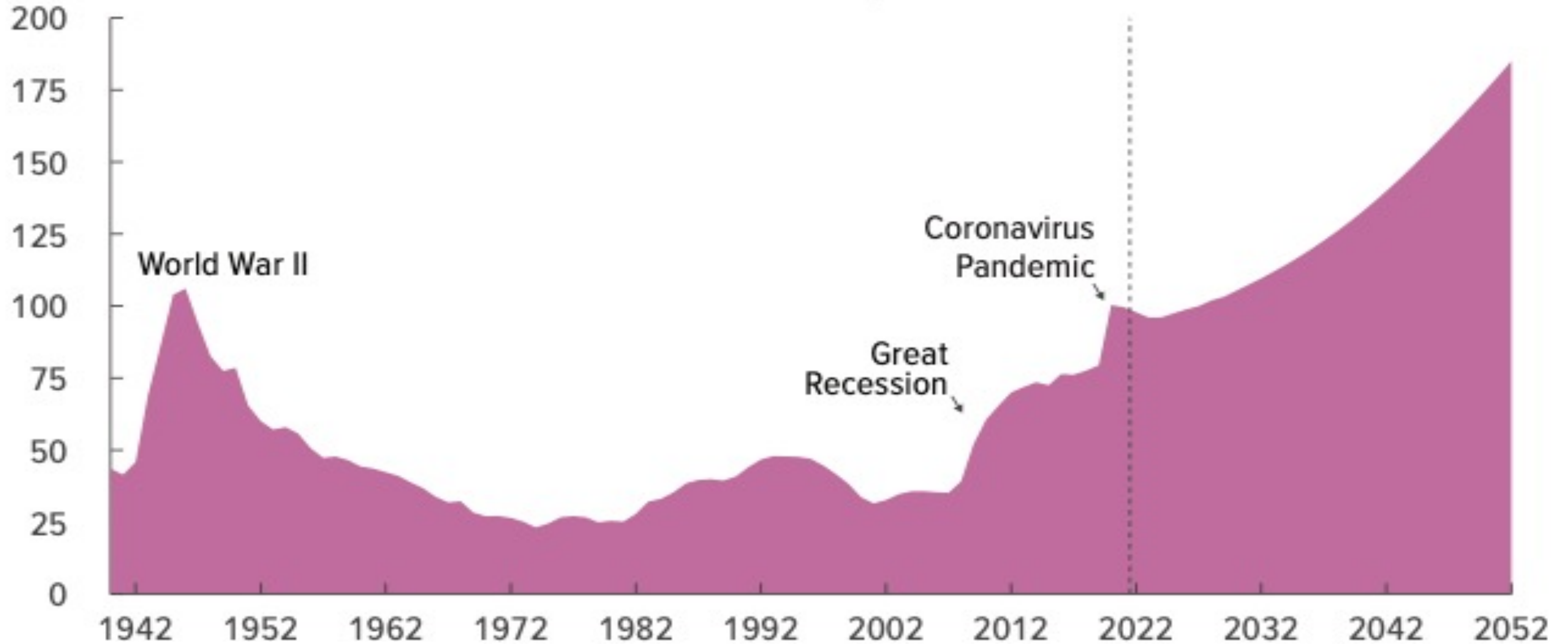
Percentage of Gross Domestic Product

Total Deficits, Primary Deficits, and Net Interest Outlays



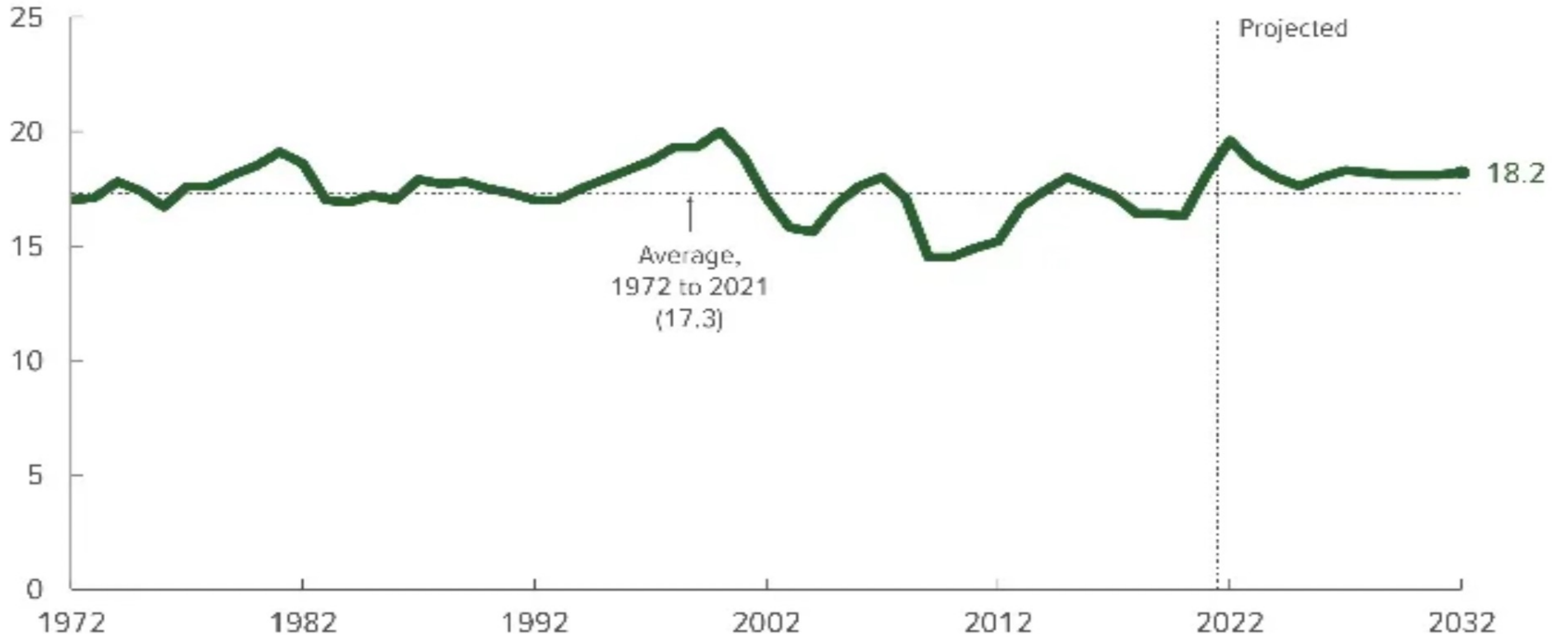
US Debt vs. GDP

Federal Debt Held by the Public



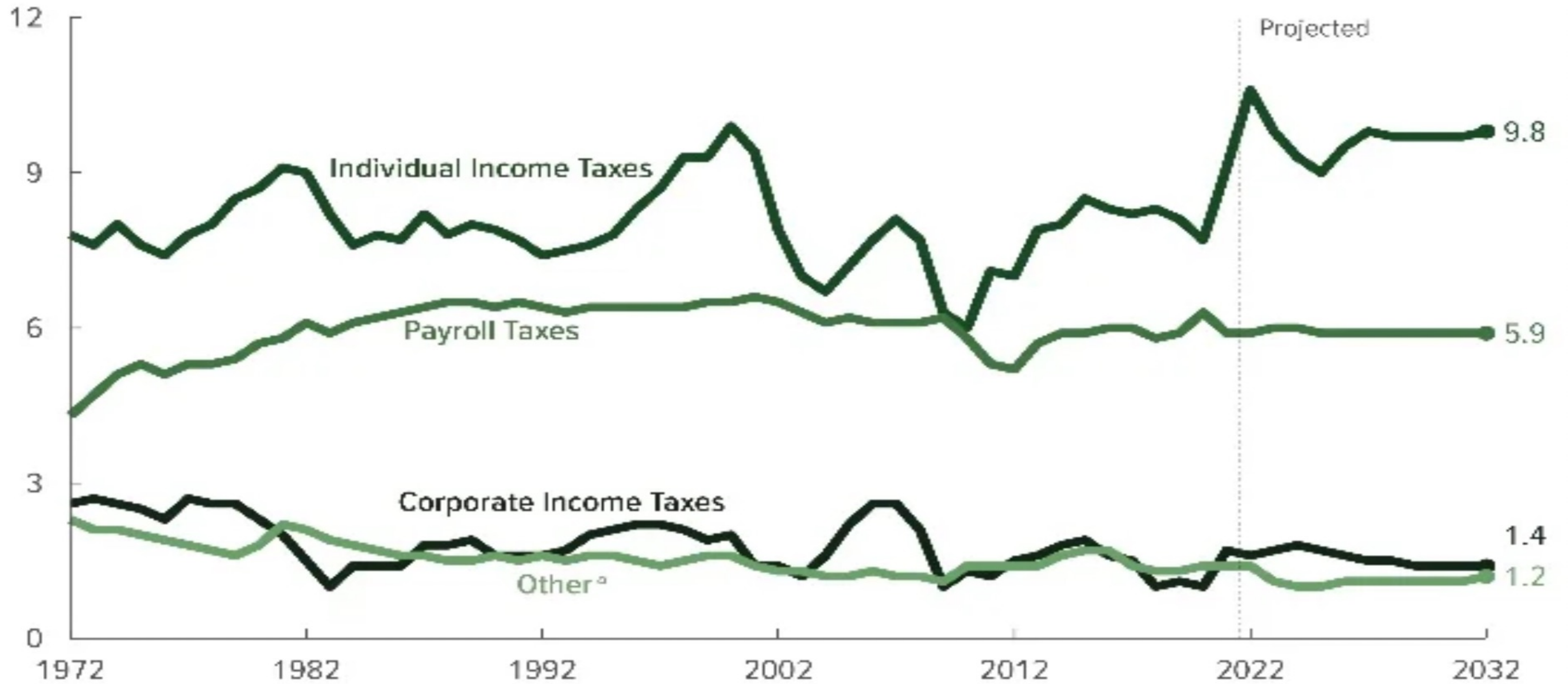
Revenues

Percentage of Gross Domestic Product



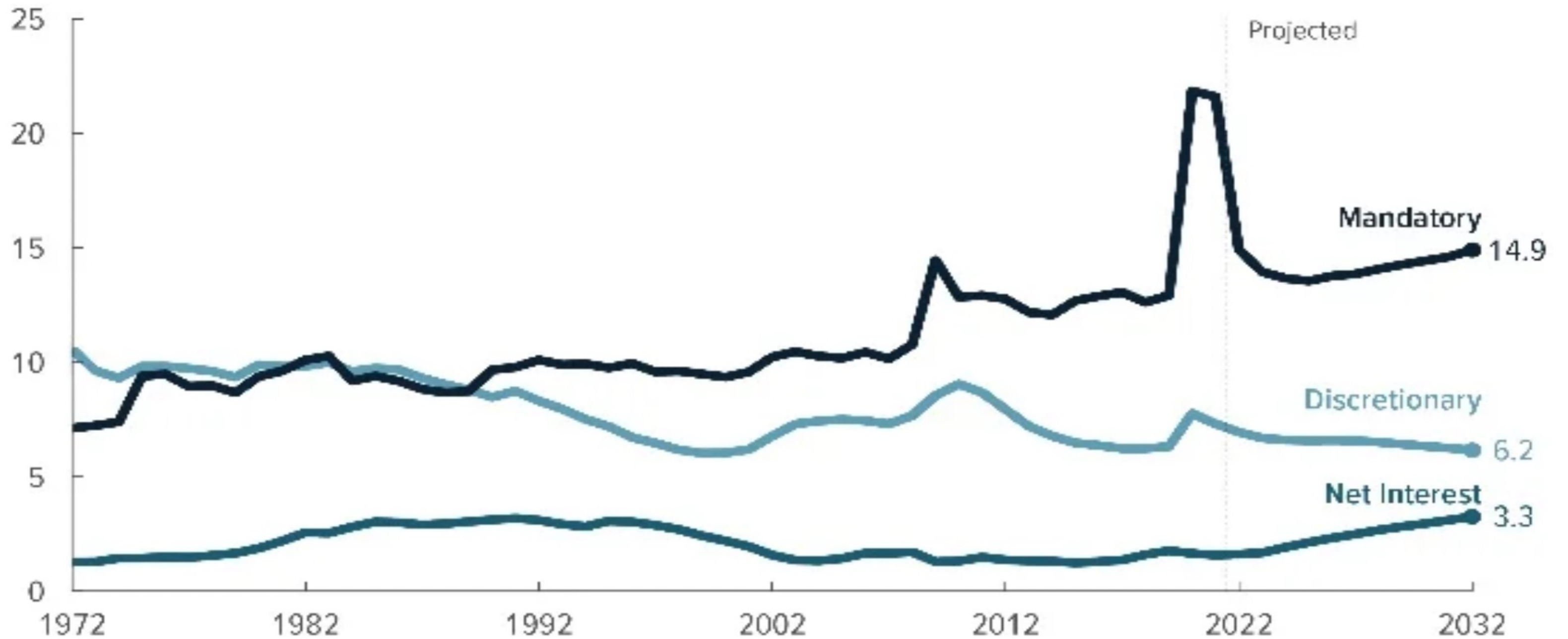
Revenue Sources

Percentage of Gross Domestic Product



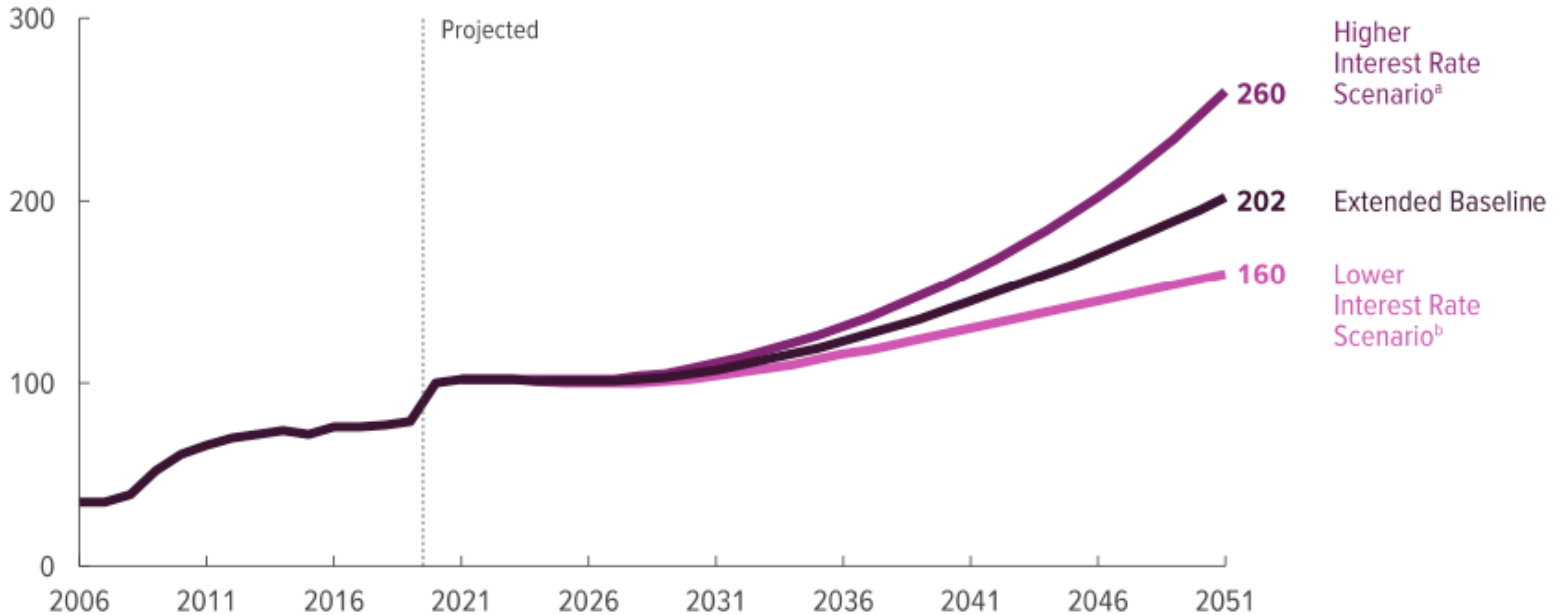
Federal Budget

Percentage of Gross Domestic Product



US Debt vs. GDP

Percentage of Gross Domestic Product

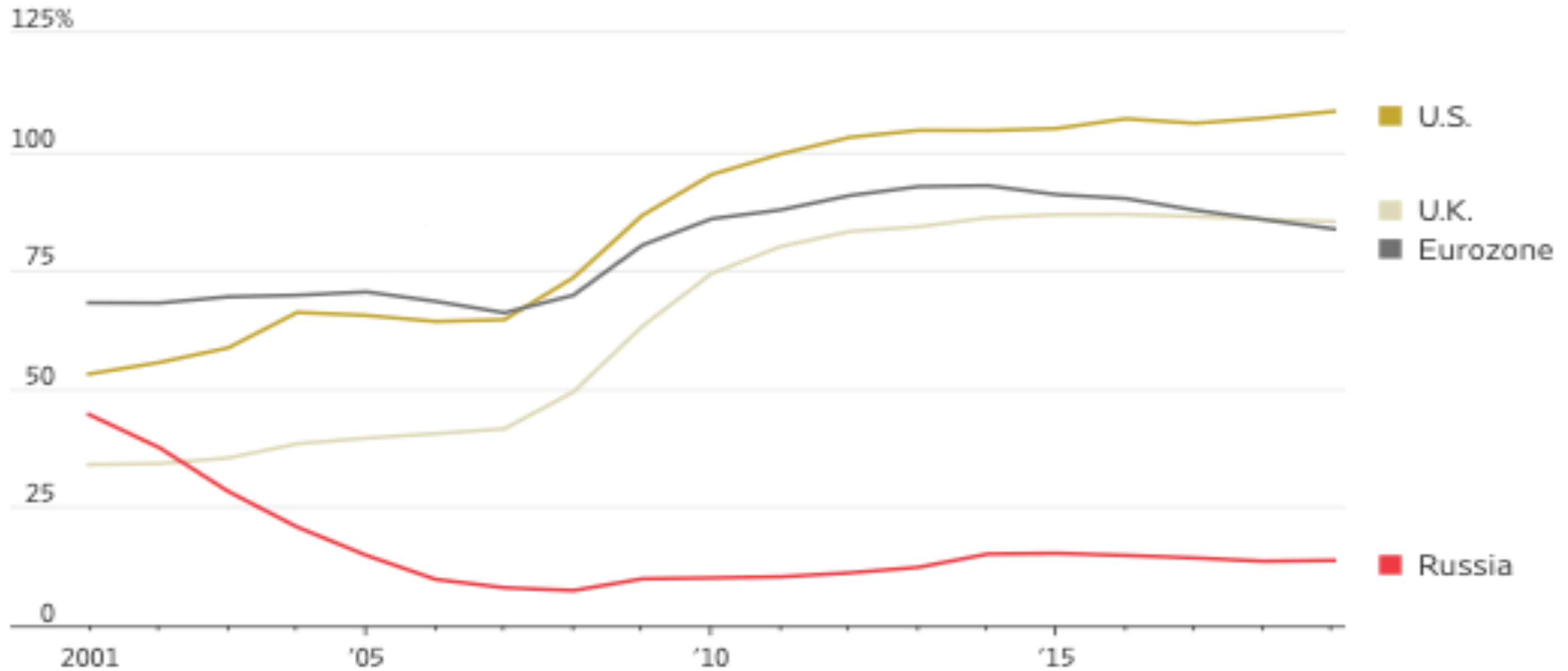


MMT proposes that a country with its own currency, such as the U.S., doesn't have to worry about accumulating too much debt because it can always print more money to pay interest.

- Will absolutely, positively work
- Eventually, with a return to equities, oversupply of treasuries and the governments need to refinance debt, interest rates will be forced higher. **Perhaps, un-affordably high**
- **Relative measure to other OECD countries**
 - Post pandemic
 - Post supply chain disruptions
 - Post Ukraine

US vs. Other

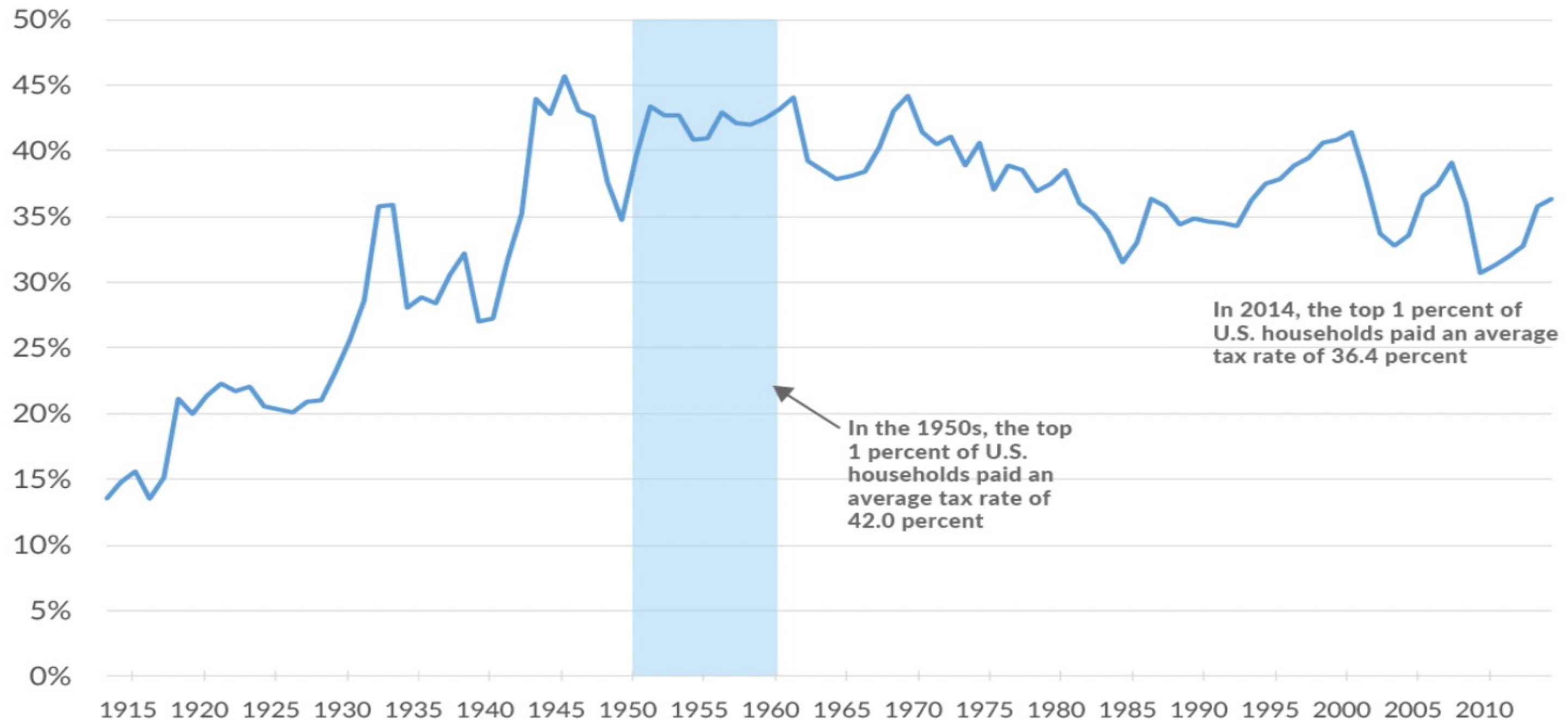
Gross government debt as a share of GDP



Highest Marginal Tax Rates



Average Effective Tax Rates



Source: Piketty, Saez, Zucman, "Distributional National Accounts: Methods and Estimates for the United States" (2017)

Strategies for investors to consider

- Consider incorporating tax managed solutions (Asset Location)
 - Annuities for locking in gains and tax timing
 - Life Insurance for possible tax-free income, hedging tax liability, GST funding, LTC
 - Active asset management (tax efficient, tax managed, lot management)
- Calculate the efficacy of ROTH conversions
 - Implement before increase in rates; use back-door
 - ROTH allows for a 10-year deferral before payout, post inheritance
- Maximize the 24% tax bracket through 2025
- Defer capital losses to higher tax years

Strategies for investors to consider...continued

- Gift, gift, gift to avoid lower estate tax exemption
- Reevaluate trust structures
 - Tax thresholds could be much lower
- Charitable giving strategies in high tax years
 - Donation bundling
 - Donor Advised funds
 - Donate appreciated property
 - Under proposed regs, consider a CRT as beneficiary of an IRA to extend deferral
- Utilize Qualified Charitable Deduction (QCD)

- SECURE Act 2.0
- Political/Legislative Landscape
- **2022 Mid-Term election snapshot**

Governors- 36 of 50

Senate- 35 of 100

House of Representatives- 435 of 435

**“Democrats have some good candidates,
in bad places, in a bad year.”**

**“Republicans have some bad candidates,
in good places, in a good year.”**

Democratic Political Strategist

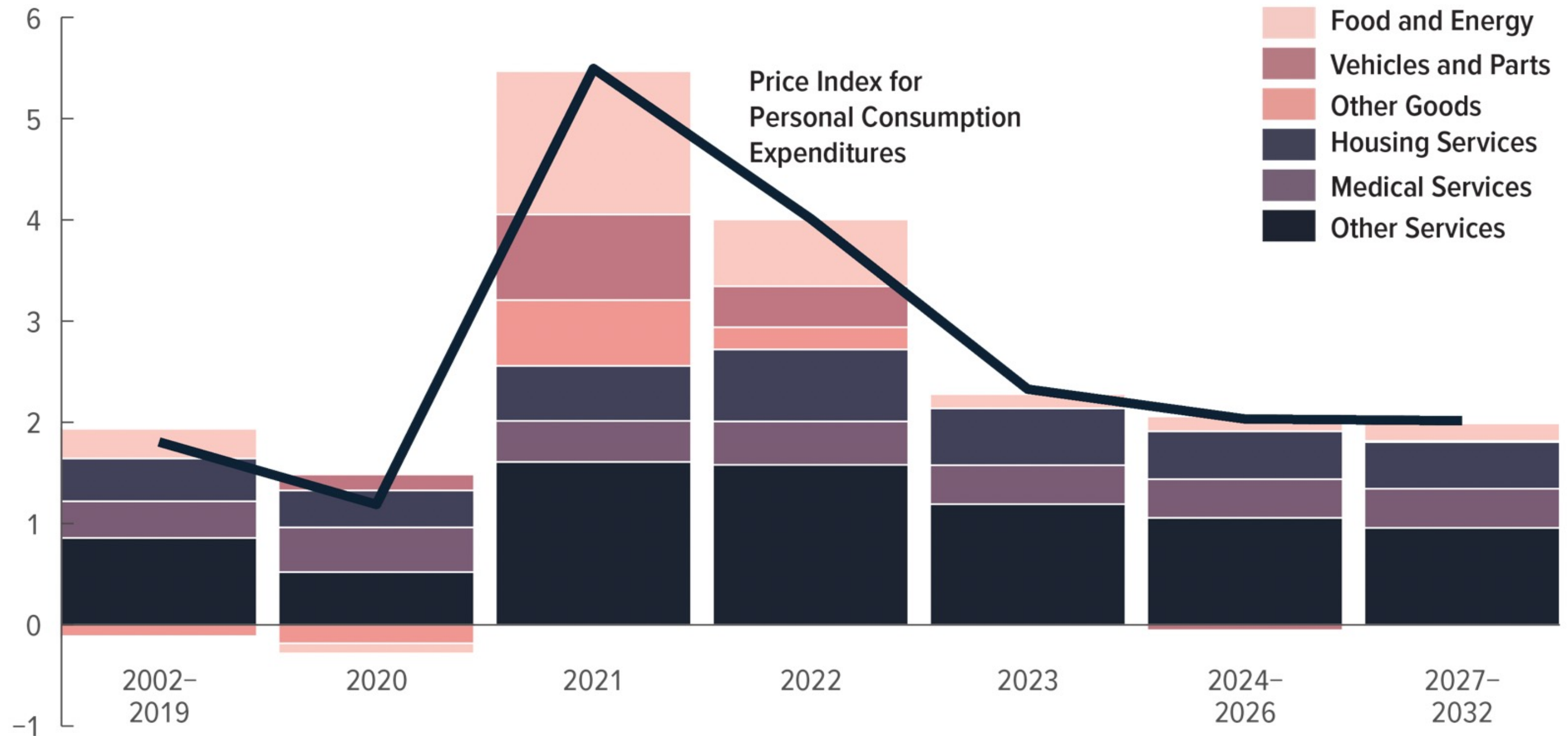
June 29, 2022

Headwinds

- **Referendum on the Biden Administration**
 - **Independent voter's low approval rating**
 - **Democrat voter enthusiasm gap**
 - Not sure how big of a role January 6th should play in 2022
 - While sympathetic to Ukraine, it's diverting POTUS's attention
 - Frustration regarding unfulfilled promises of democrat control
 - Cynicism about politics
 - **Crime**
 - **Inflation**
- **Wild cards: Abortion and Trump 2024 announcement**

Inflation

Percent

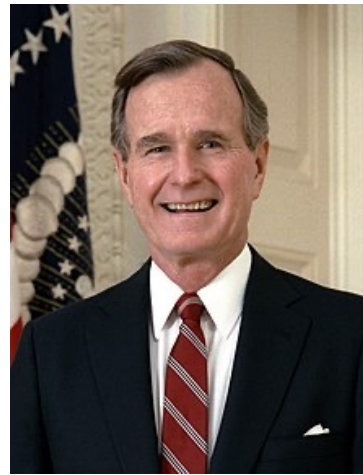


2022 Mid-Term Election

Democrat Headwinds

- Approval ratings for all voters, after one year in office

80% **60%** **58%** **50%** **48%** **42%** **39%**



- **Closely watching**

- AZ- open; Katy Hobs (D) vs. Kari Lake (GOP)
- Florida- Ron DeSantis (GOP) incumbent vs. (likely) Charlie Crist (D)
- Georgia- Brian Kemp (GOP) incumbent vs. Stacey Abrams (D)
- Michigan- Gretchen Whitmer (D) incumbent vs. Tudor Dixon (GOP)
- Pennsylvania open- Shapiro (D) vs. Mastriano (GOP)

- **Other races to watch**

- KS, NV, WI- all with Dem incumbents

• **GOP advantage- 17 / Toss-up- 3 / Dem advantage 16**
KS, NV, WI

Senate 21 GOP (6-open) vs. 14 Democrats (0-open)

- **GOP only needs a NET one pick-up** to control the Senate
- **6 closest states in the 2020 election** have a competitive Senate election
- **Democrat opportunities**
 - WI- Johnson facing progressive Dem candidate in Barnes
 - UT- Lee vs. Evan McMullin running as an independent w/ Democrat's endorsement
 - NC, MO & PA (Dr. Oz-GOP vs. John Fetterman-Dem) GOP retirements
- **GOP opportunities**
 - AZ-Kelly & GA-Warnock special election winners
 - NV-Cortez Masto- Hispanic voters & hospitality workers facing GOP Adam Laxalt
 - CO- Bennet facing moderate GOP candidate in O'Dea
- **Others:** FL-Rubio(GOP), NH-Hassan(D), OH-retirement

2022 Mid-Term Election- House

- **GOP only needs 5 seats to claim the majority**
- **Reapportionment**
- **Redistricting**
 - Gerrymandering- cracking and packing
 - 2022- GOP 187 vs. Dems 75 (2011- GOP 219 vs. Dems 44)
 - Looks like a wash to slight GOP advantage
 - 45% decline in competitive seats vs. 2011
- **History-** Mid-terms since WWII, president's party has lost on average 26 seats
- **31 Democrats, compared to 18 Republicans, have chosen to retire...so far**
- **GOP will take over the House- wave election less likely, and waning**

- The big questions in 2022 are:
- **Can Trump backed or progressive candidates win in November and, in places that surprise us?**
- **Election of ideology at the candidate vs. candidate level**
- **What does that tell us about 2024?**

**“For every complex problem,
there is a solution that is
clear, simple,
and wrong.”**

H.L. Menken,
American Journalist

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